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GREETING CARD AND RELATED OPERATIONS

Provisional report of the 1991 season

(covering the period 1 May 1991-30 April 1992)

SUMMARY

The present document presents the provisional results for the 1991 season (1 May 1991-30 April 1992) of the UNICEF Greeting Card and related operations (GCO).

Figures I and II compare the 1991 projected sales volume and gross proceeds by sales region with the 1990 actual and with the 1991 budget projections.

Table 1 compares the 1991 provisional financial results with the 1991 budget projections and the 1990 actual results.

Sales of greeting cards for the 1991 season are projected at 155 million cards (an increase of 1 million over 1990), with gross proceeds forecast at $135.7 million ($0.8 million higher than 1990).

The net operating profit for GCO products is projected at $64 million (47.2 per cent of gross proceeds). The consolidated net operating profit is forecast at $85.2 million, including $20 million (table 2) from private sector fund-raising (PSFR) and $1.2 million (table 3) from special fund-raising events and new initiatives (SENI).

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After allowing for an exchange rate loss of $7 million (estimated loss on the revaluation of GCO non-United States dollar assets) and a transfer of $1 million to fund the SENI Special Operating Account, the total GCO contribution to UNICEF general resources is estimated at $77.2 million (net profit consolidated).

The volume of cards sold, the gross proceeds and the net operating profit for each of the three income-generating areas of the GCO mandate (GCO products, PSFR and SENI), as well as the net operating profit consolidated, are the highest ever achieved by GCO. The profitability for GCO products (net operating profit) is estimated to reach the budgeted goal of 47.2 per cent. As compared with the 1991 budget, only the net operating profit PSFR and the net operating profit consolidated are estimated to exceed the budgeted targets.

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INTRODUCTION

1. The mandate of Greeting Card and related operations (GCO) comprises three income-generating areas which aim to maximize income for UNICEF general resources from the public at large. These are: (a) greeting card and related products; (b) private sector fund-raising (PSFR); and (c) special fund-raising events and new initiatives (SENI).

2. The GCO provisional report for the 1991 season (1 May 1991-30 April 1992) is based on sales estimates received as at 31 January 1992 from National Committees for UNICEF and sales partners in each of the six market regions. The expenditures are estimated for the 12-month period ending 30 April 1992.

3. The results from each income-generating area of activity are presented separately in this report and are consolidated in table 1, which shows GCO 1991 provisional results compared with the 1990 actual and 1991 approved work plan and budget.

4. The estimated net proceeds and expenditures for PSFR and SENI are shown in tables 2 and 3, respectively.

I. GREETING CARD AND RELATED PRODUCTS

5. The global recession, a postal strike in Canada and the temporarily difficult economic circumstances in Central and Eastern European countries have negatively influenced GCO results in terms of sales volume. Gross proceeds have been further impacted by the strengthening of the United States dollar. In spite of these adverse circumstances, GCO sales volume, gross proceeds and net operating profit for the 1991 season are projected to be the highest ever in GCO history (see table 1).

Table 1. Income statement for 1990, budget for 1991 and provisional results for 1991

	1990 Actual		1991 Budget		1991 Provisional		Variance	
							1991 Provisional vs. 1990 actual	1991 Provisional vs. 1991 budget
Number of cards sold (millions)	154		168		155		1	(13)
	Millions of US dollars	Percentage of gross proceeds	Millions of US dollars	Percentage of gross proceeds	Millions of US dollars	Percentage of gross proceeds	Millions of US dollars	Millions of US dollars
Gross proceeds	134.9	100.0	144.7	100.0	135.7	100.0	0.8	(9.0)
Less: Commissions and direct expenses at field offices	33.5	24.8	35.2	24.3	33.2	24.5	(0.3)	(2.0)
Net sales	101.4	75.2	109.5	75.7	102.5	75.5	1.1	(7.0)
Less: Total cost of goods delivered	27.6	20.4	28.2	19.5	27.7	20.4	0.1	(0.5)
Less: Operating costs	16.5	12.3	19.9	13.8	17.8	13.1	1.3	(2.1)
Add: Other income - net	5.5	4.1	7.0	4.8	7.0	5.2	1.5	0.0
Net operating profit - GCO products	62.8	46.6	68.4	47.2	64.0	47.2	1.2	(4.4)
Add:								
Net operating profit - private sector fund-raising (table 2)	16.5		11.4		20.0		3.5	8.6
Net operating profit - special fund-raising events and new inititatives (SENI) (table 3)	0.1		3.6		1.2		1.1	(2.4)
Net operating profit - consolidated	79.4		83.4		85.2		5.8	1.8
Less:								
Exchange rate adjustment	1.6		-		7.0		5.4	7.0
Transfer to SENI Special Operating Account					1.0		1.0	1.0
Write-off of prior years' accounts receivable	0.1		-		-		(0.1)	-
Prior years' adjustments	1.0		-		-		(1.0)	-
Net profit - consolidated	76.7		83.4		77.2		0.5	(6.2)

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A. Sales volume

6. Sales reports for the six market regions show an estimated increase in card volume of 0.6 million cards compared with the 1990 actual results. Sales by region for 1991 (based on estimates as at 31 January 1992) compared with the 1990 actual sales (E/ICEF/1992/AB/L.5) are shown below in figure I.

Figure I. Sales by region, 1991
Provisional results compared with actual 1990

(In millions of cards and millions of United States dollars)

Region	1990 Actual		1991 Provisional		Variance	
	Cards Sold	Amount	Cards Sold	Amount	Card Sold	Amount
I. North America	18.4	15.4	16.6	14.2	(1.8)	(1.2)
II. Latin America	9.7	5.6	10.1	6.5	0.4	0.9
III. Asia	6.8	5.1	8.1	6.4	1.3	1.3
IV. Pacific, India and Pakistan	9.4	4.1	10.6	4.6	1.2	0.5
V. Europe	104.6	99.1	105.1	99.1	0.5	0.0
VI. Africa and Middle East	5.1	5.6	4.1	4.9	(1.0)	(0.7)
Total all regions	154.0	134.9	154.6	135.7	0.6	0.8

7. Figure II below shows the provisional sales results of 1991 in the six market regions compared with the 1991 budget (see E/ICEF/1991/AB/L.6), indicating a negative variance in sales volume of 13.1 million cards.

Figure II. Sales by region, 1991
Provisional results compared with budget 1991

(In millions of cards and millions of United States dollars)

Region	1991 Budget		1991 Provisional		Variance	
	Cards Sold	Amount	Cards Sold	Amount	Card Sold	Amount
I. North America	21.5	18.3	16.6	14.2	(4.9)	(4.1)
II. Latin America	11.8	7.7	10.1	6.5	(1.7)	(1.2)
III. Asia	6.7	5.1	8.1	6.4	1.4	1.3
IV. Pacific, India and Pakistan	10.9	5.6	10.6	4.6	(0.3)	(1.0)
V. Europe	111.3	104.3	105.1	99.1	(6.2)	(5.2)
VI. Africa and Middle East	5.5	3.7	4.1	4.9	(1.4)	1.2
Total all regions	167.7	144.7	154.6	135.7	(13.1)	(9.0)

B. Gross proceeds

8. Gross proceeds for 1991 are estimated at $135.7 million, $0.8 million higher than 1990 actual (figure I), but $9 million below budget (figure II). This shortfall against budget is despite price increases and is primarily a result of lower than budgeted card sales volume and the impact of a stronger United States dollar (see para. 5 above).

C. Commissions and direct expenses at field offices

9. Commissions are estimated at $33.2 million, which include funds retained by National Committees for UNICEF and other sales partners, expenses incurred at field offices and commissions paid to consignees. As a percentage of gross proceeds, commissions and direct expenses at field offices are estimated at 24.5 per cent, 0.3 per cent less than the actual 1990 rate, but 0.2 per cent more than the 1991 budget rate.

D. Expenditure

Cost of goods delivered, freight, duties/taxes and promotional materials

10. This expenditure is estimated to be $27.7 million, a decrease of $0.5 million compared with the 1991 budget, but $0.1 million higher than actual 1990. As a percentage of gross proceeds, the cost of goods delivered, freight, duties, taxes and promotional materials is estimated at 20.4 per cent, the same percentage compared with actual 1990.

Operating costs

11. Operating costs for 1991 are forecast at $17.8 million, a decrease of $2.1 million compared with the 1991 budget and an increase of $1.3 million compared with actual 1990. As a percentage of gross proceeds, 1991 operating costs are 13.1 per cent, compared with 12.3 per cent in 1990, an increase of 0.8 per cent.

E. Other income

12. Other income for 1991, generated mainly from royalties on licensed products and revenues from National Committee products, is estimated at $7 million, the same as the 1991 budget and $1.5 million higher than actual 1990.

F. Net operating profit - GCO products

13. The net operating profit for GCO products for 1991 is projected at $64 million, an increase of $1.2 million compared with 1990, but $4.4 million less than the 1991 budget. As a percentage of gross proceeds the estimated net operating profit is 47.2 per cent (as in the 1991 budget), made possible because of stringent cost controls and resultant lower than budgeted expenses.

II. PRIVATE SECTOR FUND-RAISING

14. As requested by the Executive Board, income from PSFR and related expenditures are shown separately from GCO product-related income (table 2).

15. Net proceeds of $24 million are expected to yield a net operating profit of $20 million, $3.5 million (21.2 per cent) higher than the 1990 actual results and $8.6 million (75.4 per cent) more than the 1991 budget. These expected increases were largely due to the expansion of existing direct mail campaigns and the increased participation of National Committees and UNICEF field offices in GCO-supported PSFR activities. Implementation of the three-year Fund-raising Development Programme (FDP) during 1991 has resulted in additional campaigns that are expected to increase revenues in the coming years.

16. Operating costs and research and development costs are expected to amount to $1 million each, both below budgeted levels. Expenses for FDP are estimated at $2 million. The surplus will be carried over into the next fiscal year when more proposals are expected.

Table 2. Private sector fund-raising
Income statement for 1990, budget for 1991 and provisional results for 1991

(In thousands of United States dollars)

	1990 Actual	1991 Budget	1991 Provisional	Variance: 1991 Provisional vs. 1990 actual	Variance: 1991 Provisional vs. 1991 budget
Net proceeds	17,473	16,900	24,000	6,527	7,100
Less:					
Operating costs	957	1,287	1,000	43	(287)
Research and development costs	-	1,192	1,000	1,000	(192)
Fund-raising Development Programme expenses	-	3,000	2,000	2,000	(1,000)
Total expenses	957	5,479	4,000	3,043	(1,479)
Net operating profit	16,516	11,421	20,000	3,484	8,579

III. SPECIAL FUND-RAISING EVENTS AND NEW INITIATIVES

A. Income

17. Income from SENI is shown separately from GCO product-related and PSFR income, as requested by the Executive Board (see E/ICEF/1990/AB/L.6, para. 8). The net proceeds of $4 million are expected to yield a net operating profit from SENI of $1.2 million, an increase of $1.1 million compared with the 1990 actual, but a decrease of $2.4 million compared with the 1991 budget. This income was generated through National Committees primarily from the Danny Kaye International Children's Awards programmes held in several countries and the International Football Association benefit match held in Germany.

B. Expenditure

18. SENI operating costs for 1991 are estimated at $0.5 million, a decrease of $0.3 million and $0.5 million compared with the 1990 actual and the 1991 budget, respectively. Research and development costs are estimated at $0.1 million, a decrease of $0.3 million compared with the 1991 budget. The cost of production and events organization ($2.2 million) represents expenses for the Danny Kaye International Children's Awards.

Table 3. Special fund-raising events and new initiatives
Income statement for 1990, budget for 1991 and provisional results for 1991

(In thousands of United States dollars)

	1990 Actual	1991 Budget	1991 Provisional	Variance: 1991 Provisional vs. 1990 actual	Variance: 1991 Provisional vs. 1991 budget
Net proceeds	883	5,000	4,012	3,129	(988)
Less:					
Operating costs	852	995	525	(327)	(470)
Research and development costs		400	100	100	(300)
Production and events organization costs			2,200	2,200	2,200
Total expenses	852	1,395	2,825	1,973	1,430
Net operating profit	31	3,605	1,187	1,156	(2,418)

IV. CONSOLIDATED PROVISIONAL RESULTS

A. Net operating profit - consolidated

19. The consolidated net operating profit for 1991 resulting from the three income-generating areas of GCO is estimated at $85.2 million (see table 1), $5.8 million more than 1990 actual results and $1.8 million higher than the 1991 budget.

B. Exchange rate adjustment

20. An exchange rate adjustment of $7 million is made to cover anticipated losses caused by the revaluation of GCO non-United States dollar-denominated assets. It also includes actual exchange rate losses on prior year accounts receivable incurred before 31 January 1992. The possible impact of variation in exchange rates on GCO product sales and profitability was shown as an example in the 1991 work plan (see E/ICEF/1991/AB/L.6, figure 1, p. 6).

C. SENI Special Operating Account

21. An amount of $1 million is being transferred in order to fund the SENI Special Operating Account, which was established by the Executive Board in 1990 (see E/ICEF/1990/AB/L.6, paras. 82, 83 and 95 (c)). 1/

D. Net profit - consolidated

22. After deducting $7 million for the impact of exchange rate variations and the $1 million transfer to fund the SENI Special Operating Account from the net operating profit ($85.2 million), the consolidated GCO net profit is estimated at $77.2 million, an increase of $0.5 million compared with the 1990 actual profit.

Notes

1/ The SENI Special Operating Account is used only when anticipated event revenues have not been received in time to cover initial expenses and is subject to an approved budget, realistically demonstrating that when total revenues are received, they will be sufficient to reimburse the Special Operating Account. At the conclusion of an event, any funds advanced from the Special Operating Account would be repaid. Access to this account is governed by rules developed in cooperation with the Division of Financial Management and in accordance with the UNICEF Financial Regulations and Rules and the Special Supplement - Greeting Card Operation (E/ICEF/FINANCIAL RULES/1/Add.1). Funding of the Special Operating Account will come from event profits.